

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0757-02
Bill No.: Perfected SCS for SB 122
Subject: Insurance - Medical
Type: Original
Date: April 6, 2011

Bill Summary: Requires insured to only pay usual and customary retail price of a prescription drug where the retail price is less than the applicable co-payment.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Conservation Commission	(Unknown greater than \$100,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)
Road	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)
Other	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown greater than \$200,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Federal	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration** assume the proposal would have no fiscal impact on their agency.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of this proposal on their organization.

Officials from the **Missouri Department of Transportation (MoDOT)** state this legislation allows enrollees to pay only the usual and customary retail price of a prescription drug when the co-payment applied by a HMO or a health insurer exceeds this cost. This legislation would have no fiscal impact on Missouri Highways and Transportation Commission (MHTC). The legislation will also have no fiscal impact on the MoDOT/Missouri State Highway Patrol (MHP) Medical Plan (Plan), since it only applies to HMO's and health insurers and not to self-insured governmental plans.

Even if the legislation applied to self-insured governmental plans, there would be no fiscal impact to the Plan. The Plan does not have a co-payment applied to an enrollee's prescription benefit. The Plan applies a co-insurance, after the annual deductible has been met, which is a percentage of the discounted price applied by our prescription drug administrator. As a result, participants would likely never pay more than the usual and customary retail price of a prescription drug.

The proposed legislation also requires health carriers to establish or otherwise utilize web-based estimating systems so that consumers can obtain health care cost estimates and computer health care costs.

The network and claims administrator, Coventry Health Care Plan (CHCP), has researched the fiscal impact if the Plan is required to cover these services and provides the following information.

Under SCS for SB 122, it is possible that the state of Missouri would be setting up a conflicting web-based system that would not be interoperable with the requirements under the exchange. While Missouri's efforts to set up its insurance exchanges are still in the early states, given the future guidance and rules from the U.S. Department of Health and Human Services (HHS) on exchanges, the CHCP believes that state exchanges and systems will head in the same direction as SCS for SB 122. Given the July 2012 effective date under this proposal, it is very likely that some critical differences would exist between the web-based system envisioned under the legislation and the state exchange system under the Affordable Care Act (ACA).

ASSUMPTION (continued)

The proposed legislation will not have a fiscal impact on the MHTC. However, there may be a financial impact to the Plan due to administrative fee increases for the MoDOT's network and claims administration to provide this system. The impact cannot be determined but would be greater than \$100,000 annually.

Officials from the **Missouri Department of Conservation** assume the initial implementation and set up for the requirements of this proposal would cost more than \$100,000. On-going costs would be less than \$100,000 annually.

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** state current online provider systems provide cost estimators but do not include specific estimates for each contracted provider and facility. The MCHCP anticipates increased administrative fees from health carrier vendors to cover the cost of implementing and maintaining the online systems. The MCHCP estimates the cost to be unknown greater than \$1 million for CY 12 and unknown greater than \$500,000 annually thereafter.

Oversight is presenting unknown costs for the MCHCP due to the uncertainty of the costs that will be incurred by MCHCP's vendors and passed on to the MCHCP.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Costs - MCHCP</u>			
Increase in administrative fees and medical vendor contract costs (\$376.475)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
GENERAL REVENUE FUND			
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - State Government

FY 2012
(10 Mo.)

FY 2013

FY 2014

**CONSERVATION COMMISSION
FUND**

Costs - MDC

Set-up costs of web-based estimating
system (§376.475)

(Unknown
greater than
\$100,000)

(Unknown less
than \$100,000)

(Unknown less
than \$100,000)

**ESTIMATED NET EFFECT ON
CONSERVATION COMMISSION
FUND**

(Unknown
greater than
\$100,000)

(Unknown less
than \$100,000)

(Unknown less
than \$100,000)

ROAD FUND

Costs - MoDOT

Administrative fee increases for web-
based estimating system (§376.475)

(Unknown
greater than
\$100,000)

(Unknown
greater than
\$100,000)

(Unknown
greater than
\$100,000)

**ESTIMATED NET EFFECT ON
ROAD FUND**

(Unknown
greater than
\$100,000)

(Unknown
greater than
\$100,000)

(Unknown
greater than
\$100,000)

OTHER STATE FUNDS

Costs - MCHCP

Increase in administrative fees and
medical vendor contract costs (§376.475)

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
OTHER STATE FUNDS**

(Unknown)

(Unknown)

(Unknown)

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
FEDERAL FUNDS			
<u>Costs - MCHCP</u>			
Increase in administrative fees and medical vendor contract costs (\$376.475)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

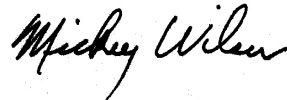
FISCAL DESCRIPTION

Under this proposal, health carriers are required, by July 1, 2012, to utilize a web-based estimating system or other mechanism, by which covered individuals, or their parents or guardians, will be able to enter, provide, or select from menus, the procedures, tests, or services the individual is considering having, and based upon the individual's benefit plan and the health carrier's internal data, receive estimates of the total cost and total out-of-pocket cost of the procedures, test, or services specific to all available contracted providers or facilities for which such estimates are requested. The estimates shall take into account any known unmet deductible obligation and shall be based upon assumptions of typical utilization and an assumption that, in the provision of the procedures, tests, or services, no complications or unexpected events would occur necessitating other expenses. The estimates shall include related estimates of typically needed and expected ancillary costs such as those for radiology, pathology, or anesthesiology services, and shall indicate when no contracted providers of such services are available under the individual's benefit plan at a selected health care facility or provider. Any estimate given shall not be a guarantee of coverage and the health carrier shall not be held liable for differences between the estimated costs and the ultimate charges to the individual. The provision of estimates under this proposal shall not be construed as violating any provider contract provisions with a health carrier that prohibits disclosure of a provider's fee schedule to third parties (Section 376.475).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration
Missouri Department of Transportation
Department of Public Safety -
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation

A handwritten signature in black ink that reads "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" and last name "Wilson" clearly distinguishable.

Mickey Wilson, CPA
Director
April 6, 2011